

**CITY OF ARNOLDS PARK  
INDEPENDENT AUDITORS' REPORTS  
PRIMARY GOVERNMENT  
BASIC FINANCIAL STATEMENTS  
SUPPLEMENTARY AND OTHER INFORMATION  
SCHEDULE OF FINDINGS  
JUNE 30, 2014**

# CITY OF ARNOLDS PARK

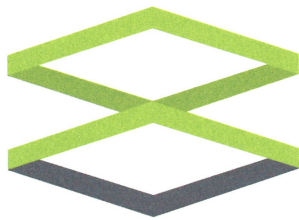
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# CITY OF ARNOLDS PARK

## CITY OFFICIALS

<u>NAME</u>	<u>TITLE</u>	<u>TERM EXPIRES</u>
(Before January 2014)		
Mike Mitchell	Mayor	December 31, 2013
Mitchell Watters	Mayor Pro-Tem	December 31, 2013
Mike Koppert	Council Member	December 31, 2013
Jason Christensen	Council Member	December 31, 2015
James D. Jensen	Council Member	December 31, 2015
John Adams	Council Member	December 31, 2015
Ron Walker	Clerk Administrator	December 31, 2013
Kevin Sander	City Attorney	December 31, 2013
(After January 1, 2014)		
Mike Mitchell (resigned April 30)	Mayor	December 31, 2015
Jim Hussong (appointed May 20)	Mayor	
John Adams	Mayor Pro-Tem	December 31, 2015
Matt Richter	Council Member	December 31, 2017
Jason Christensen	Council Member	December 31, 2015
James D. Jensen	Council Member	December 31, 2015
Mitchell Watters	Council Member	December 31, 2017
Ron Walker	Clerk Administrator	December 31, 2014
Kevin Sander	City Attorney	December 31, 2014



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## INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and  
Members of the City Council  
City of Arnolds Park  
Arnolds Park, IA 51331

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business type activities, and each major fund of the primary government of the City of Arnolds Park, Iowa, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the cash basis of accounting described in Note 1. This includes determining the cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. This includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Basis for Adverse Opinion on Aggregate Discretely Presented Component Units**

The financial statements referred to above do not include financial data for the City's legally separate component units. Accounting principles for the basis of accounting described in Note 1 require the financial data for the component units to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component units. The City has not issued such reporting entity financial statements. Because of this departure from accounting principles for the basis of accounting described in Note 1, the assets, liabilities, net position, revenues, and expenses of the aggregate discretely presented component units would have been reported as \$13,872,157, \$685,510, \$13,186,647, \$750,910 and \$1,600,484, respectively.

### **Adverse Opinion on Aggregate Discretely Presented Component Units**

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on the Aggregate Discretely Presented Component Units" paragraph, the financial statements referred to above do not present fairly the financial position of the aggregate discretely presented component units of the City of Arnolds Park, Iowa as of June 30, 2014, or the changes in financial position thereon for the year then ended in accordance with the basis of accounting described in Note 1.

### **Unmodified Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, and each major fund of the primary government of the City of Arnolds Park, Iowa as of June 30, 2014, and the respective changes in its cash basis financial position for the year then ended in accordance with the basis of accounting described in Note 1.

### **Basis of Accounting**

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

### **Other Matters**

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the primary government of the City of Arnolds Park. We previously audited, in accordance with the standards referred to in the third

paragraph of this report, the financial statements of the City's primary government for the nine years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements which were prepared on the basis of cash receipts and disbursements. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The other information, budgetary comparison information on pages 19 through 21, has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2014 on our consideration of the City of Arnolds Park's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Arnolds Park's internal control over financial reporting and compliance.

*Wintner, Stave & Co., LLP*

September 29, 2014  
Spencer, Iowa

## **BASIC FINANCIAL STATEMENTS**

CITY OF ARNOLDS PARK  
CASH BASIS STATEMENT OF ACTIVITIES AND NET POSITION  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

		<u>Program Receipts</u>		
	<u>Disbursements</u>	<u>Charges for Service</u>	<u>Operating Grants, Contributions, and Restricted Interest</u>	<u>Capital Grants, Contributions, and Restricted Interest</u>
FUNCTIONS/PROGRAMS:				
Governmental activities:				
Public safety .....	\$ 698,904	\$ 39,684	\$ -	\$ -
Public works .....	521,709	244,443	112,435	-
Culture and recreation .....	175,114	55,594	25,303	-
Community and economic development.	174,876	-	-	-
General government .....	480,080	-	-	-
Debt service .....	6,904,348	-	-	-
Capital projects .....	876,670	-	-	501,924
Total governmental activities	<u>9,831,701</u>	<u>339,721</u>	<u>137,738</u>	<u>501,924</u>
Business-type activities:				
Water .....	287,239	531,242	-	-
Sewer .....	233,122	219,160	-	-
Total business-type activities	<u>520,361</u>	<u>750,402</u>	<u>-</u>	<u>-</u>
TOTAL	<u>\$ 10,352,062</u>	<u>\$ 1,090,123</u>	<u>\$ 137,738</u>	<u>\$ 501,924</u>

General Receipts and Transfers:

Property tax levied for:	
General purposes .....	
Debt service .....	
Tax increment financing .....	
Local option sales tax .....	
Hotel/motel tax .....	
Other city tax .....	
Unrestricted interest on investments .....	
Bond proceeds .....	
Miscellaneous .....	
Transfers .....	
Total general receipts and transfers	

Change in cash basis net position

Cash basis net position - beginning of year

Cash basis net position - end of year

Cash basis net position

Restricted, expendable:

Streets

Debt service

Capital projects

Unrestricted

Total cash basis net position



Net (Disbursements) Receipts and Changes in Cash Basis Net Position		
Governmental Activities	Business-type Activities	Total
\$ (659,220)	\$ -	\$ (659,220)
(164,831)	-	(164,831)
(94,217)	-	(94,217)
(174,876)	-	(174,876)
(480,080)	-	(480,080)
(6,904,348)	-	(6,904,348)
(374,746)	-	(374,746)
<u>(8,852,318)</u>	<u>-</u>	<u>(8,852,318)</u>
-	244,003	244,003
-	(13,962)	(13,962)
<u>-</u>	<u>230,041</u>	<u>230,041</u>
<u>(8,852,318)</u>	<u>230,041</u>	<u>(8,622,277)</u>
907,161	-	907,161
119,434	-	119,434
779,586	-	779,586
228,054	-	228,054
329,972	-	329,972
26,382	-	26,382
2,748	-	2,748
6,397,390	-	6,397,390
106,955	-	106,955
230,000	(230,000)	-
<u>9,127,682</u>	<u>(230,000)</u>	<u>8,897,682</u>
275,364	41	275,405
<u>1,344,786</u>	<u>119,618</u>	<u>1,464,404</u>
<u>\$ 1,620,150</u>	<u>\$ 119,659</u>	<u>\$ 1,739,809</u>
\$ 79,645	\$ -	\$ 79,645
22,372	-	22,372
932,700	-	932,700
<u>585,433</u>	<u>119,659</u>	<u>705,092</u>
<u>\$ 1,620,150</u>	<u>\$ 119,659</u>	<u>\$ 1,739,809</u>

See Notes to Financial Statements

CITY OF ARNOLDS PARK  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND  
CHANGES IN CASH BALANCES  
GOVERNMENTAL FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

		Special Revenue	
	General	Road Use Tax	Urban Renewal Tax Increment
RECEIPTS:			
Property tax .....	\$ 907,161	\$ -	\$ -
Tax increment financing .....	-	-	779,586
Other city tax .....	584,408	-	-
Licenses and permits .....	17,003	-	-
Use of money and property .....	-	-	-
Intergovernmental .....	25,303	112,435	-
Charges for service .....	339,721	-	-
Miscellaneous .....	82,357	-	-
TOTAL RECEIPTS	<u>1,955,953</u>	<u>112,435</u>	<u>779,586</u>
DISBURSEMENTS:			
Operating:			
Public safety .....	698,904	-	-
Public works .....	430,583	91,126	-
Culture and recreation .....	175,114	-	-
Community and economic development	174,876	-	-
General government .....	480,080	-	-
Debt service .....	-	-	-
Capital projects .....	-	-	-
TOTAL DISBURSEMENTS	<u>1,959,557</u>	<u>91,126</u>	<u>-</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	<u>(3,604)</u>	<u>21,309</u>	<u>779,586</u>
OTHER FINANCING SOURCES (USES):			
Bond proceeds .....	-	-	-
Operating transfers in (out) .....	(110,831)	-	(818,624)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(110,831)</u>	<u>-</u>	<u>(818,624)</u>
CHANGE IN CASH BALANCES	(114,435)	21,309	(39,038)
CASH BALANCES - BEGINNING OF YEAR	<u>710,373</u>	<u>58,336</u>	<u>28,533</u>
CASH BALANCES - END OF YEAR	<u>\$ 595,938</u>	<u>\$ 79,645</u>	<u>\$ (10,505)</u>
CASH BASIS FUND BALANCES:			
Restricted for:			
Debt service .....	\$ -	\$ -	\$ -
Streets .....	-	79,645	-
Capital projects funds .....	-	-	-
Unassigned.....	<u>595,938</u>	<u>-</u>	<u>(10,505)</u>
TOTAL CASH BASIS FUND BALANCES	<u>\$ 595,938</u>	<u>\$ 79,645</u>	<u>\$ (10,505)</u>

<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total</u>
\$ 119,434	\$ -	\$ 1,026,595
-	-	779,586
-	-	584,408
-	-	17,003
-	2,748	2,748
-	441,525	579,263
-	-	339,721
7,595	60,399	150,351
<u>127,029</u>	<u>504,672</u>	<u>3,479,675</u>
-	-	698,904
-	-	521,709
-	-	175,114
-	-	174,876
-	-	480,080
6,904,348	-	6,904,348
-	876,670	876,670
<u>6,904,348</u>	<u>876,670</u>	<u>9,831,701</u>
<u>(6,777,319)</u>	<u>(371,998)</u>	<u>(6,352,026)</u>
5,552,500	844,890	6,397,390
1,197,675	(38,220)	230,000
<u>6,750,175</u>	<u>806,670</u>	<u>6,627,390</u>
(27,144)	434,672	275,364
<u>49,516</u>	<u>498,028</u>	<u>1,344,786</u>
<u>\$ 22,372</u>	<u>\$ 932,700</u>	<u>\$ 1,620,150</u>
\$ 22,372	\$ -	\$ 22,372
-	-	79,645
-	932,700	932,700
-	-	585,433
<u>\$ 22,372</u>	<u>\$ 932,700</u>	<u>\$ 1,620,150</u>

CITY OF ARNOLDS PARK  
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND  
CHANGES IN CASH BALANCES  
PROPRIETARY FUNDS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

Exhibit C

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
OPERATING RECEIPTS:			
Charges for service .....	\$ 531,242	\$ 219,160	\$ 750,402
TOTAL OPERATING RECEIPTS	<u>531,242</u>	<u>219,160</u>	<u>750,402</u>
DISBURSEMENTS:			
Business-type activities .....	287,239	233,122	520,361
TOTAL OPERATING DISBURSEMENTS	<u>287,239</u>	<u>233,122</u>	<u>520,361</u>
EXCESS (DEFICIENCY) OF OPERATING RECEIPTS OVER/(UNDER) OPERATING DISBURSEMENTS	244,003	(13,962)	230,041
TRANSFERS OUT.....	<u>(220,000)</u>	<u>(10,000)</u>	<u>(230,000)</u>
CHANGE IN CASH BALANCES	24,003	(23,962)	41
CASH BALANCE - BEGINNING OF YEAR	<u>82,914</u>	<u>36,704</u>	<u>119,618</u>
CASH BALANCE - END OF YEAR	<u>\$ 106,917</u>	<u>\$ 12,742</u>	<u>\$ 119,659</u>
CASH BASIS FUND BALANCE:			
Unrestricted .....	<u>\$ 106,917</u>	<u>\$ 12,742</u>	<u>\$ 119,659</u>

See Notes to Financial Statements

## **NOTES TO FINANCIAL STATEMENTS**

CITY OF ARNOLDS PARK  
NOTES TO FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2014

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Arnolds Park is a political subdivision of the State of Iowa located in Dickinson County. It was first incorporated in 1897 and operates under the Home Rule provisions of the Constitution of Iowa and under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development, public improvements, and general government services. The City also provides water and sewer utilities for its citizens.

**A. Reporting Entity**

For financial reporting purposes, the City is considered a primary government and has excluded the financial data of its component units, Central Water System and Arnolds Park/Okoboji Fire and Rescue. A primary government is a legal entity or body politic and includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate. A component unit is a legally separate entity for which the City is financially accountable. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. Since these financial statements do not include the City's component units, they do not purport to be prepared in conformity with accounting principles generally accepted in the United States of America as they relate to the exclusion of the component units described below:

The City participates with the City of Okoboji in the operation of Central Water System (System), which is organized under Chapter 28E of the Code of Iowa and provides water system services to the two municipalities and an unrelated regional water system. The System is operated by the parties through a joint Board of Directors consisting of one member from each city council, or such other individual as that council shall designate, and a third member appointed and approved by a majority vote of the city councils of the municipalities. Water services purchased by the City from the System during the year ended June 30, 2014 totaled \$175,670, approximately 51% of total System revenues. The financial statements of this component unit are separately audited and are presented on the accrual basis of accounting. Complete financial statements of Central Water System can be obtained from their administrative offices.

The City participates with the City of Okoboji in the operation of Arnolds Park/Okoboji Fire and Rescue (Department), which is organized under Chapter 28E of the Code of Iowa and provides fire and rescue services to the two municipalities. The Department is operated by the parties through a joint Board of Directors consisting of one member from each city council, or such other individual as that council shall designate, and a third member appointed and approved by a majority vote of the city councils of the municipalities. The City's contributions to the Department during the year ended June 30, 2014 totaled \$81,650, approximately 50% of total Department operating revenue. The financial statements of this component unit are separately audited and are presented on the cash basis of accounting. Complete financial statements of Arnolds Park/Okoboji Fire and Rescue can be obtained from their administrative offices.

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

### Jointly Governed Organizations

The City also participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Upper Des Moines Opportunity Board, Dickinson County Emergency Management Commission, Dickinson County Sanitary Landfill Commission, Dickinson County Water Quality Commission, Dickinson County Assessor's Conference Board, and Dickinson County Joint E911 Service Board.

### **B. Basis of Presentation**

Government-wide Financial Statement - The Cash Basis Statement of Activities and Net Position reports information on all of the nonfiduciary activities of the primary government of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Cash Basis Statement of Activities and Net Position presents the City's nonfiduciary net position. Net position is reported in two categories:

*Expendable restricted net position* results when constraints placed on the use of cash balances are either externally imposed or imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

*Unrestricted net position* consists of cash balances not meeting the definition of the preceding category. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

The Cash Basis Statement of Activities and Net Position demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants, contributions, and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and the proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs that are not paid from other funds.

## **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

### **B. Basis of Presentation - Continued**

#### **Special Revenue:**

The Road Use Tax Fund is used to account for the road use tax allocation from the State of Iowa to be used for road construction and maintenance.

The Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and repayment of tax increment financing indebtedness.

The Debt Service Fund is utilized to account for property tax and other receipts to be used for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's sanitary sewer system.

### **C. Measurement Focus and Basis of Accounting**

The City of Arnolds Park maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with accounting principles generally accepted in the United States of America.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by general receipts.

When a disbursement in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.



## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

### **D. Governmental Cash Basis Fund Balances**

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in the restricted classification.

### **E. Budgets and Budgetary Accounting**

The budgetary comparison and related disclosures are reported as Other Information. During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the debt service and capital projects functions.

### **F. Management's Review**

Management has evaluated subsequent events through the date of the independent auditors' report, which is the date the financial statements were available to be issued.

## 2. CASH AND POOLED INVESTMENTS

The City's deposits in banks at June 30, 2014 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high-rated commercial paper; perfected repurchase agreements; and certain registered open-end management investment companies.

Interest rate risk - The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

### 3. BONDS AND NOTES PAYABLE

Annual debt service requirements to maturity for general obligation bonds and notes are as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 1,000,000	\$ 383,297
2016	934,000	363,587
2017	938,000	343,655
2018	754,000	323,465
2019	720,000	308,980
2020 - 2024	4,320,000	1,284,303
2025 - 2029	3,885,000	726,633
2030 - 2034	<u>1,030,000</u>	<u>96,712</u>
Total	<u>\$13,581,000</u>	<u>\$3,830,632</u>

The Code of Iowa requires principal and interest on general obligation bonds and notes be paid from the Debt Service Fund.

### 4. PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Most regular plan members are required to contribute 5.95% of their annual covered salary and the City is required to contribute 8.93% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rates. Contribution requirements are established by State statute. The City's contributions to IPERS for the years ended June 30, 2014, 2013, and 2012, were \$66,825, \$62,703, and \$56,824, respectively, equal to the required contributions for each year.

### 5. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description - The City operates a single-employer retiree health plan which provides medical/prescription drug benefits for employees and retirees. There are two retired members in the plan. Eligible retirees receive health care coverage through the same plans that are available for active employees. Retired participants must be age 55 or older at retirement. Benefits terminate upon attaining Medicare eligibility.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

## **5. OTHER POSTEMPLOYMENT BENEFITS (OPEB) - Continued**

Contributions are required for retiree coverage. The retiree contributions are based on and equal to the historical full cost of active members. Retiree expenses are then offset by retiree contributions.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City. The City currently finances the retiree benefit plan on a pay-as-you-go basis. Depending on plan level selected, the most recent active member monthly premiums for the City and plan members range from \$564 for single coverage to \$1,409 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2014, the City made no contributions to the retiree benefit plan.

## **6. COMPENSATED ABSENCES**

City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned compensated absences payable to employees at June 30, 2014 is \$18,518, primarily relating to the General Fund. This liability has been computed based on rates of pay as of June 30, 2014.

Sick leave is not payable upon termination, retirement or death, therefore the accumulated sick leave is not presented as part of these financial statements.

## **7. RISK MANAGEMENT**

The City is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 700 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses, and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained at a level not to exceed 300% of basis rate or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, losses and loss expenses for property risks estimated for the fiscal year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

## **7. RISK MANAGEMENT - Continued**

The City's property and casualty contributions to the risk pool are recorded as disbursements from its operating funds at the time of payment to the risk pool. The City's contributions to the Pool for the year ended June 30, 2014 were \$35,749.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location. Property risks exceeding \$150,000 are reinsured through reinsurance and excess risk-sharing agreements up to the amount of risk-sharing protection provided by the City's risk-sharing certificate.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim, property loss, or series of claims or losses exceeds the amount of risk-sharing protection provided by the City's risk-sharing certificate, or in the event a casualty claim, property loss or series of claims or losses exhausts the Pool's fund and any reinsurance and any excess risk-sharing recoveries, then payment of such claims or losses shall be the obligation of the respective individual member against whom the claim was made or the loss was incurred. As of June 30, 2014, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Upon withdrawal, a formula set forth in the Pool's intergovernmental contract with its members is applied to determine the amount (if any) to be refunded to the withdrawing member.

The City also carries commercial insurance purchased from other insurers for coverage associated with workers compensation. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

## 8. INTERFUND TRANSFERS

The detail of interfund transfers for the year ended June 30, 2014 is as follows:

<u>Transfers to</u>	<u>Transfer from</u>	<u>Amount</u>
Capital Projects	General	\$ 110,831
	Sewer	<u>10,000</u>
Total transfers to Capital Projects Fund		<u>120,831</u>
Debt Service	TIF	818,624
	Water	220,000
	Capital Projects	<u>159,051</u>
Total transfers to Debt Service Fund		<u>1,197,675</u>
Total		<u>\$1,318,506</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

## 9. RELATED PARTY TRANSACTIONS

The City had business transactions between the City and City officials totaling \$861 during the year ended June 30, 2014.

## 10. LITIGATION

The City is party to routine legal proceedings and litigation arising in the normal course of business. In the opinion of management, the outcome of such actions will have no material impact on the City's financial condition.

## 11. COMMITMENTS AND CONTINGENCIES

At June 30, 2014, the City has entered into construction contracts for various infrastructure projects totaling approximately \$495,000, of which approximately \$363,000 remained outstanding. The balance on the contracts will be paid as work on the projects progresses.

## 12. DEFICIT BALANCE

The Urban Renewal Tax Increment Fund had a deficit balance of \$10,505 at June 30, 2014. The balance is the result of insufficient TIF certification. The deficit will be eliminated by certifying more tax revenue.

### **13. SUBSEQUENT EVENTS**

In September 2014, the City issued \$1,285,000 of general obligation bonds to refund existing debt and for capital projects.

### **14. PROSPECTIVE ACCOUNTING CHANGE**

The Governmental Accounting Standards Board has issued Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB No. 27*. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information.

## OTHER INFORMATION

CITY OF ARNOLDS PARK  
BUDGETARY COMPARISON SCHEDULE OF  
RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES -  
BUDGET AND ACTUAL (CASH BASIS) - ALL GOVERNMENTAL FUNDS  
AND PROPRIETARY FUNDS  
OTHER INFORMATION (UNAUDITED)  
YEAR ENDED JUNE 30, 2014

	Governmental Funds <u>Actual</u>	Proprietary Funds <u>Actual</u>	Less Funds not Required to be <u>Budgeted</u>
RECEIPTS:			
Property tax .....	\$ 1,026,595	\$ -	\$ -
Tax increment financing collections .....	779,586	-	-
Other city tax .....	584,408	-	-
Licenses and permits .....	17,003	-	-
Use of money and property .....	2,748	-	-
Intergovernmental .....	579,263	-	-
Charges for service .....	339,721	750,402	-
Special Assessments .....	-	-	-
Miscellaneous .....	150,351	-	-
TOTAL RECEIPTS	<u>3,479,675</u>	<u>750,402</u>	<u>-</u>
DISBURSEMENTS:			
Public safety .....	698,904	-	-
Public works .....	521,709	-	-
Culture and recreation .....	175,114	-	-
Community and economic development .....	174,876	-	-
General government .....	480,080	-	-
Debt service .....	6,904,348	-	5,676,000
Capital projects .....	876,670	-	-
Business-type activities .....	-	520,361	-
TOTAL DISBURSEMENTS	<u>9,831,701</u>	<u>520,361</u>	<u>5,676,000</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	(6,352,026)	230,041	(5,676,000)
OTHER FINANCING SOURCES (USES) - NET.....	<u>6,627,390</u>	<u>(230,000)</u>	<u>5,676,000</u>
EXCESS (DEFICIENCY) OF RECEIPTS AND OTHER FINANCING SOURCES OVER (UNDER) DISBURSEMENTS AND OTHER FINANCING USES	275,364	41	-
CASH BALANCES - BEGINNING OF YEAR	<u>1,344,786</u>	<u>119,618</u>	<u>-</u>
CASH BALANCES - END OF YEAR	<u>\$ 1,620,150</u>	<u>\$ 119,659</u>	<u>\$ -</u>



<u>Total</u>	<u>Budgeted Amounts</u>		<u>Final to Total Variance</u>
	<u>Original</u>	<u>Final</u>	
\$ 1,026,595	\$ 1,012,539	\$ 1,012,539	\$ 14,056
779,586	818,624	818,624	(39,038)
584,408	535,028	585,028	(620)
17,003	5,950	5,950	11,053
2,748	-	-	2,748
579,263	198,601	198,601	380,662
1,090,123	1,040,807	1,040,807	49,316
-	35,000	35,000	(35,000)
150,351	52,443	52,443	97,908
<u>4,230,077</u>	<u>3,698,992</u>	<u>3,748,992</u>	<u>481,085</u>
698,904	601,225	751,225	52,321
521,709	556,283	656,283	134,574
175,114	169,566	194,566	19,452
174,876	130,000	180,000	5,124
480,080	495,160	495,160	15,080
1,228,348	1,151,844	1,151,844	(76,504)
876,670	805,114	805,114	(71,556)
520,361	525,000	525,000	4,639
<u>4,676,062</u>	<u>4,434,192</u>	<u>4,759,192</u>	<u>83,130</u>
(445,985)	(735,200)	(1,010,200)	564,215
<u>721,390</u>	<u>500,000</u>	<u>500,000</u>	<u>221,390</u>
275,405	(235,200)	(510,200)	<u>\$ 785,605</u>
<u>1,464,404</u>	<u>1,734,247</u>	<u>1,734,247</u>	
<u>\$ 1,739,809</u>	<u>\$ 1,499,047</u>	<u>\$ 1,224,047</u>	

CITY OF ARNOLDS PARK  
NOTES TO OTHER INFORMATION - BUDGETARY REPORTING  
JUNE 30, 2014

The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects, and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Fund, and Proprietary Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$325,000. The budget amendment is reflected in the final budgeted amounts.

During the year ended June 30, 2014, disbursements exceeded the amounts budgeted in the debt service and capital projects functions.

## **SUPPLEMENTARY INFORMATION**

CITY OF ARNOLDS PARK  
SCHEDULE OF INDEBTEDNESS  
YEAR ENDED JUNE 30, 2014

<u>Obligation</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Amount Originally Issued</u>
General Obligation Capital Notes:			
Essential corporate purpose	June 17, 2009	3.00%	\$5,774,000
General Obligation Bonds (paid from TIF Fund transfers):			
Essential corporate purpose	November 1, 2007	3.50 - 4.20%	2,000,000
Essential corporate purpose	January 1, 2010	4.50 - 5.25%	2,200,000
General Obligation Refunding Bonds (paid from TIF Fund transfers):			
Essential corporate purpose	December 1, 2010	.60 - 3.00%	1,925,000
Essential corporate purpose	March 29, 2012	1.5% - 2.1%	3,515,000
Essential corporate purpose	June 2, 2014	2.00% - 3.13%	2,045,000
General Obligation Refunding Bonds (paid from Water Fund transfers):			
Essential corporate purpose	June 2, 2014	2.00% - 4.00%	4,340,000
 TOTAL			

<u>Balance Beginning of Year</u>	<u>Issued During Year</u>	<u>Redeemed During Year</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>	<u>Interest Due and Unpaid</u>
\$ 5,271,610	\$ 12,390	\$4,403,000	\$ 881,000	\$158,493	
1,615,000	-	1,615,000	-	63,901	
2,200,000	-	-	2,200,000	103,813	
1,445,000	-	100,000	1,345,000	34,183	
3,130,000	-	360,000	2,770,000	51,750	
-	2,045,000	-	2,045,000	-	
<u>-</u>	<u>4,340,000</u>	<u>-</u>	<u>4,340,000</u>	<u>-</u>	<u>-</u>
<u>\$13,661,610</u>	<u>\$6,397,390</u>	<u>\$6,478,000</u>	<u>\$13,581,000</u>	<u>\$412,140</u>	<u>-</u>

CITY OF ARNOLDS PARK  
BOND AND NOTE MATURITIES  
JUNE 30, 2014

General Obligation Bonds and Notes								
Essential Corporate Purpose								
Year Ending June 30.	<u>Issued 6-17-2009</u>		<u>Issued 1-1-2010</u>		<u>Issued 12-1-2010</u>		<u>Issued 3-29-2012</u>	
	<u>Interest Rate</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amount</u>
2015	3.00%	\$265,000			1.30%	\$ 115,000	1.60%	\$ 330,000
2016	3.00	274,000			1.75	75,000	1.65	260,000
2017	3.00	283,000			1.90	100,000	1.70	260,000
2018	3.00	59,000			2.10	115,000	1.75	260,000
2019					2.35	100,000	1.80	275,000
2020					2.55	120,000	1.85	290,000
2021					2.75	420,000	1.90	250,000
2022					3.00	300,000	1.95	235,000
2023							2.00	300,000
2024							2.05	310,000
2025								
2026			4.50%	\$ 550,000				
2027			4.50	550,000				
2028			4.625	550,000				
2029			5.25	550,000				
2030								
2031								
2032								
2033								
TOTALS		<u>\$881,000</u>		<u>\$2,200,000</u>		<u>\$1,345,000</u>		<u>\$2,770,000</u>

## Schedule 2

<u>Issued 6-2-2014</u>		<u>Issued 6-2-2014</u>		
<u>Interest Rate</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Amount</u>	<u>Total</u>
2.00%	\$ 100,000	2.00%	\$ 190,000	\$ 1,000,000
2.00	130,000	2.00	195,000	934,000
2.00	100,000	2.00	195,000	938,000
2.00	120,000	2.00	200,000	754,000
2.00	140,000	2.00	205,000	720,000
2.00	135,000	2.00	210,000	755,000
2.00	215,000	2.00	215,000	1,100,000
2.25	215,000	2.25	215,000	965,000
2.50	220,000	2.50	220,000	740,000
2.625	225,000	2.625	225,000	760,000
3.00	220,000	2.75	235,000	455,000
3.125	105,000	3.00	240,000	895,000
3.125	120,000	3.375	245,000	915,000
		3.375	255,000	805,000
		3.75	265,000	815,000
		3.75	275,000	275,000
		4.00	285,000	285,000
		4.00	290,000	290,000
		4.00	180,000	180,000
	<u>\$2,045,000</u>		<u>\$4,340,000</u>	<u>\$13,581,000</u>

CITY OF ARNOLDS PARK  
SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION -  
ALL GOVERNMENTAL FUNDS  
FOR THE LAST TEN YEARS

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
RECEIPTS:				
Property tax .....	\$ 1,026,595	\$ 1,009,177	\$ 1,000,620	\$ 862,379
Tax increment financing collections .....	779,586	865,468	759,247	919,553
Other city tax .....	584,408	558,313	551,598	526,895
Licenses and permits .....	17,003	23,340	18,544	21,598
Use of money and property .....	2,748	2,823	12,506	18,843
Intergovernmental .....	579,263	231,099	1,574,196	608,111
Charges for service .....	339,721	319,960	292,874	293,896
Special assessments .....	-	-	-	-
Miscellaneous .....	150,351	139,380	249,118	543,539
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL	<u>\$ 3,479,675</u>	<u>\$ 3,149,560</u>	<u>\$ 4,458,703</u>	<u>\$ 3,794,814</u>
DISBURSEMENTS:				
Operating:				
Public safety .....	\$ 698,904	\$ 767,222	\$ 586,031	\$ 659,414
Public works .....	521,709	438,903	432,711	423,369
Culture and recreation .....	175,114	163,740	161,668	144,968
Community and economic development	174,876	174,710	140,392	148,160
General government .....	480,080	417,018	456,414	480,113
Debt service .....	6,904,348	1,238,575	4,555,150	2,837,589
Capital projects .....	876,670	2,083,563	4,385,391	708,999
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL	<u>\$ 9,831,701</u>	<u>\$ 5,283,731</u>	<u>\$ 10,717,757</u>	<u>\$ 5,402,612</u>

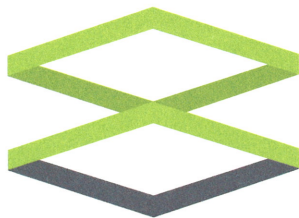


<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
\$ 880,285	\$ 832,111	\$ 725,936	\$ 690,951	\$ 561,051	\$ 533,685
801,763	709,474	657,508	587,696	609,254	636,830
500,287	522,608	478,176	395,740	328,165	355,572
18,499	23,725	19,952	17,332	12,669	14,911
5,539	55,185	160,904	246,899	174,565	38,828
579,067	230,523	305,999	790,700	1,380,240	120,886
287,172	289,042	275,552	267,713	178,327	159,328
273,047	-	-	59,449	56,836	59,403
160,398	180,365	71,759	129,094	221,886	507,963
<u>\$ 3,506,057</u>	<u>\$ 2,843,033</u>	<u>\$ 2,695,786</u>	<u>\$ 3,185,574</u>	<u>\$ 3,522,993</u>	<u>\$ 2,427,406</u>
\$ 593,702	\$ 1,176,609	\$ 572,769	\$ 541,017	\$ 475,152	\$ 592,769
478,818	424,422	376,570	409,110	356,311	346,028
147,110	139,377	131,915	135,879	126,096	100,940
152,229	151,110	129,663	99,155	84,353	101,098
454,051	379,260	412,201	367,160	357,747	337,188
882,530	792,331	680,916	829,771	864,169	552,752
4,557,052	2,033,764	1,659,099	1,484,140	1,944,811	950,488
<u>\$ 7,265,491</u>	<u>\$ 5,096,874</u>	<u>\$ 3,963,133</u>	<u>\$ 3,866,232</u>	<u>\$ 4,208,639</u>	<u>\$ 2,981,263</u>

CITY OF ARNOLDS PARK  
COMBINING SCHEDULE OF CASH TRANSACTIONS  
GENERAL FUND  
YEAR ENDED JUNE 30, 2014

Schedule 4

	<u>Operating</u>	<u>Special Electric</u>	<u>Equipment Revolving</u>	<u>Total</u>
RECEIPTS:				
Property tax .....	\$ 907,161	\$ -	\$ -	\$ 907,161
Other city tax .....	584,408	-	-	584,408
Licenses and permits .....	17,003	-	-	17,003
Intergovernmental .....	25,303	-	-	25,303
Charges for service .....	339,721	-	-	339,721
Miscellaneous .....	47,215	15,157	19,985	82,357
TOTAL RECEIPTS	<u>1,920,811</u>	<u>15,157</u>	<u>19,985</u>	<u>1,955,953</u>
DISBURSEMENTS:				
Operating:				
Public safety .....	592,286	-	106,618	698,904
Public works .....	308,633	-	121,950	430,583
Culture and recreation .....	175,114	-	-	175,114
Community and economic development	174,876	-	-	174,876
General government .....	480,080	-	-	480,080
TOTAL DISBURSEMENTS	<u>1,730,989</u>	<u>-</u>	<u>228,568</u>	<u>1,959,557</u>
EXCESS (DEFICIENCY) OF RECEIPTS OVER (UNDER) DISBURSEMENTS	189,822	15,157	(208,583)	(3,604)
OTHER FINANCING SOURCES (USES)	<u>(267,089)</u>	<u>(15,157)</u>	<u>171,415</u>	<u>(110,831)</u>
CHANGE IN CASH BALANCES	(77,267)	-	(37,168)	(114,435)
CASH BALANCES - BEGINNING OF YEAR	<u>640,207</u>	<u>1,663</u>	<u>68,503</u>	<u>710,373</u>
CASH BALANCES - END OF YEAR	<u>\$ 562,940</u>	<u>\$ 1,663</u>	<u>\$ 31,335</u>	<u>\$ 595,938</u>



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INDEPENDENT AUDITORS' REPORT ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

The Honorable Mayor and  
Members of the City Council  
City of Arnolds Park  
Arnolds Park, IA 51331

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the primary government of the City of Arnolds Park, Iowa as of and for the year ended June 30, 2014, and the related notes to financial statements, which collectively comprise the basic financial statements of the City's primary government, and have issued our report thereon dated September 29, 2014. Our report expressed unmodified opinions on the primary government financial statements which were prepared on the basis of cash receipts and disbursements, a basis of accounting other than accounting principles generally accepted in the United States of America.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Arnolds Park's internal control over financial reporting (internal control) to determine the auditing procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a certain deficiency in internal control over financial reporting we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to

prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control described in Part I of the accompanying Schedule of Findings as item I-A-14 to be a material weakness.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Arnolds Park's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

### **City of Arnolds Park's Responses to Findings**

The City's responses to findings identified in our audit are described in the accompanying Schedule of Findings. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Arnolds Park during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

*Wintner, Starn & Co., LLP*

September 29, 2014  
Spencer, Iowa

CITY OF ARNOLDS PARK  
SCHEDULE OF FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2014

**Part I: Findings Related to the Financial Statements**

**Internal Control Deficiency:**

I-A-14    Segregation of Duties - One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The cash receipts listing, bank deposits, and the posting of the cash receipts to the cash receipts journal are all done by the same person.

Recommendation - We realize with a limited number of office employees, segregation of duties is difficult. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances.

Response - We will consider this.

Conclusion - Response accepted.

**Instances of Noncompliance:**

No matters were reported.

CITY OF ARNOLDS PARK  
SCHEDULE OF FINDINGS - Continued  
FOR THE YEAR ENDED JUNE 30, 2014

**Part II: Other Findings Related to Statutory Reporting**

- II-A-14 Certified Budget - Disbursements during the year ended June 30, 2014 exceeded the amounts budgeted in the debt service and capital projects functions. In addition, disbursements in the public safety, culture and recreation, and community and economic development functions exceeded the amounts budgeted prior to the budget amendment. Chapter 384.20 of the Code of Iowa states, in part, "Public monies may not be expended or encumbered except under an annual or continuing appropriation."

Recommendation - The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response - The budget will be amended in the future, if applicable.

Conclusion - Response accepted.

- II-B-14 Questionable Disbursements - We noted no expenditures that did not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.

- II-C-14 Travel Expense - No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

- II-D-14 Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Description</u>	<u>Amount</u>
Walker Insurance Agency, owner is spouse of City Administrator	Insurance	\$ 861

In accordance with Chapter 362.5(3)(j) of the Code of Iowa, the insurance transaction does not appear to represent a conflict of interest since the transaction was less than \$1,500 during the fiscal year.

- II-E-14 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

- II-F-14 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.

CITY OF ARNOLDS PARK  
SCHEDULE OF FINDINGS - Continued  
FOR THE YEAR ENDED JUNE 30, 2014

**Part II: Other Findings Related to Statutory Reporting** - Continued

II-G-14 Deposits and Investments - We noted no instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy.

II-H-14 Revenue Notes - The City had no revenue notes outstanding during the year.

II-I-14 Urban Renewal Annual Report - The FY2013 urban renewal annual report was approved and certified to the Iowa Department of Management on or before December 1. However, the amounts reported by the City as TIF debt outstanding and year-end outstanding TIF obligations, net of TIF special revenue fund balance were understated by \$786,402 and \$851,776, respectively.

Recommendation - The City should ensure the debt amounts reported on the Levy Authority summary agree with the City's records.

Response - This item will be corrected on future reports.

Conclusion - Response accepted.

II-J-14 Published Minutes - We noted the summary of receipts was not included in the published minutes. We also noted the disbursements by fund was not published on one occasion.

Recommendation - The City should ensure that a summary of receipts and disbursements by fund are included in the published minutes.

Response - We will include these items in future publications.

Conclusion - Response accepted.

II-K-14 Publication of Sealed Bids - We noted that on one project there was no proof the request for sealed bids was published. We did note that there were several bids received for the project.

Recommendation - The City should make sure proof of all required publications is retained with projects.

Response - We will make sure proof of all required publications is retained.

Conclusion - Response accepted.

CITY OF ARNOLDS PARK  
SCHEDULE OF FINDINGS - Continued  
FOR THE YEAR ENDED JUNE 30, 2014

**Part II: Other Findings Related to Statutory Reporting** - Continued

- II-L-14 Urban Renewal Tax Reconciliation - We noted Dickinson County had not prepared and could not provide the city with a required Urban Renewal Area TIF Indebtedness/Increment Tax Reconciliation.

Recommendation - Since the County has not prepared the reconciliation, the City should expand procedures to monitor TIF obligations, certification, and reporting requirements.

Response - We will continue to monitor our TIF obligations, certifications, and reporting requirements.

Conclusion - Response accepted.

- II-M-14 Financial Condition - The Urban Renewal Tax Increment Fund had a deficit balance of \$10,505 at June 30, 2014.

Recommendation - The City should review TIF certification and expenditures to eliminate this deficit in order to return this fund to a sound financial position.

Response - We will review our TIF certification and expenditures to eliminate the deficit.

Conclusion - Response accepted.